

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2664 – SB 2622

March 28, 2018

**SUMMARY OF ORIGINAL BILL:** Authorizes lessees of Industrial Development Corporations (IDCs) to file an annual report with the Comptroller of the Treasury and the applicable County Assessor electronically.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (016118):** Deletes all language after the enacting clause. Authorizes IDCs not located within Shelby County to negotiate payment in lieu of tax (PILOT) agreements for less than the ad valorem taxes due with retail businesses under certain circumstances.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase Local Expenditures – \$100/Per Newspaper Notification/Permissive**

**Other Fiscal Impact – Due to multiple unknown factors, a precise impact to local government cannot reasonably be determined; however, any payment in lieu of tax (PILOT) agreement established will result in a permissive decrease in local government revenue for 10 years.**

Assumptions for the bill as amended:

- Prior to establishment of the PILOT agreement, all local taxing jurisdictions impacted by the PILOT agreement would have to be notified and agree upon the terms of the agreement, or be reimbursed by the IDC for loss of revenues experienced as a result of the PILOT after the initial 10 years of such agreement.
- For any PILOT agreement established for less than the ad valorem taxes which would have otherwise been collected, there will be a permissive decrease in local government revenue.
- For any such PILOT agreement established which also provides for the IDC to pay the other affected local governments an amount which would have otherwise been collected

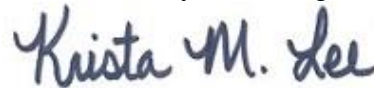
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after the first ten years of the agreement, there will be an increase in local expenditures for the IDC and a corresponding increase in local revenue for the local taxing jurisdictions, after a decrease in local government revenue for the initial 10 years.

- Due to multiple unknown factors such as how many IDCs will establish PILOT agreements with retail businesses for less than the ad valorem taxes owed, the terms of such agreements, the extent of any decrease in local government revenue as a result of such agreements, and the extent of any increase in local expenditures for the IDC and the corresponding increase in local government revenue based on such payments being made by IDCs after 10 years, a precise impact to local government cannot reasonably be determined; however any agreement will result in a decrease in local government revenue for the initial 10 years of the agreement.
- Prior to approving a PILOT with a retail business, the IDC would be required to hold a public hearing and publish notice of the meeting in a newspaper of general circulation within the county at least one day prior to the hearing.
- Based on responses to the 2017 Local Government Survey conducted by the Fiscal Review Committee, local governments spend an average of \$113 per newspaper notification.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jrh